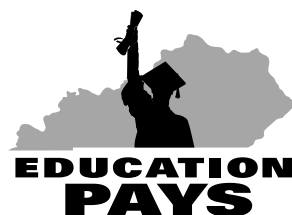




# Kentucky Tax Alert



A KRC PUBLICATION FOR THE TAX PROFESSIONAL

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## KRC Tops \$100 Million Mark in *EMPOWER* Kentucky Revenues; \$50 Million Provided to Local Governments

The Kentucky Revenue Cabinet's General Fund receipts from its *EMPOWER* Kentucky initiatives have topped the \$100 million mark.

KRC reached this milestone in April. As of April 30, KRC's *EMPOWER* initiatives had produced \$109,423,740 for the state's General Fund. This is more than three times the original \$36.1 million investment the General Assembly made in KRC's Simplified Revenue Systems proposals in 1997, even with all projects not yet fully implemented.

In addition, KRC's *EMPOWER* efforts have provided nearly \$50 million for local government entities such as cities, counties, and school districts.

To date, KRC's *EMPOWER* collections have exceeded estimates by nearly 6.5 percent.

"This milestone represents a significant achievement in Governor Patton's modernization of state government," said KRC Secretary Mike Haydon. "The governor pledged fairer tax collections and enhanced efficiencies in the delivery of services."



"We have been able to use modern technology and new techniques to close the tax gap. We are pleased with the way our employees have responded to this challenge. We know that Kentucky taxpayers deserve the assurance that everyone is being treated fairly," Haydon added.

*EMPOWER* Kentucky Project Manager Ron Bingham is pleased with the Revenue Cabinet's efforts and results.

"These efforts have proven that *EMPOWER* can be a success," Bingham said. "In fact, the Revenue Cabinet has given the entire *EMPOWER* process credibility. When the project began, Governor Patton stated there would be \$50 million in annually recurring savings or revenue. The Revenue Cabinet's efforts have single-handedly met that revenue objective. The Cabinet has set aggressive financial projections and has exceeded them every year."

"The Revenue Cabinet has taken great strides in getting equity and fairness in the tax structure," Bingham continued. "These projects have made things simpler and easier for businesses to pay their taxes."

## KRC Offices Closed Sept. 4 for Labor Day

Pursuant to KRS 18A.190, all KRC offices are closed on Monday, Sept. 4, 2000, in observance of Labor Day.

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## Modern Filing Methods Continue to Gain in Popularity

KRC's alternatives to the traditional paper method of filing individual income tax returns continue to gain in popularity among taxpayers.

Both electronic filing and telephone filing of 1999 returns enjoyed significant increases over the previous year. Online filing, a new offering for the 1999 tax year, drew a significant number of participants.



KRC received 331,255 electronically filed 1999 tax returns, as compared with just under 274,000 1998 returns, an increase of 21 percent.

In its second year of offering TeleFile, KRC accepted 54,681 returns filed by phone. The previous year, nearly 41,000 returns were filed. This is an increase of 34 percent.

This year, for the first time, KRC offered online filing of tax returns via partnerships with software developers. A total of 29,312 taxpayers took advantage of this service and filed their 1999 tax returns via the Internet.

All told, KRC received more than 415,000 returns filed via nontraditional means. Filing electronically, via phone, or online allows taxpayers to receive refunds faster and eliminates manual processing of paper returns.

KRC will continue to accept 1999 individual income tax returns filed electronically and via the Internet through Oct. 15, 2000. Those wishing to use telephone filing, TeleFile, will have until Aug. 15, 2000 to file returns.

KRC thanks those who participated in its various modernized filing programs and looks forward to the continued success and growth of these programs.

## KRC Encourages Online Reading of Publications

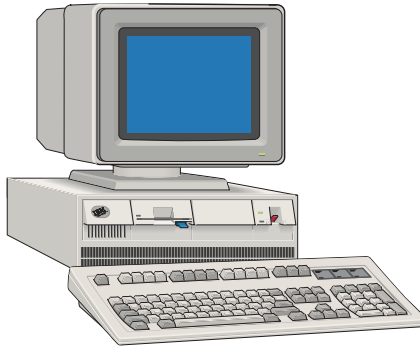
As part of its efforts to educate taxpayers and tax professionals on ways to comply with Kentucky's tax laws, KRC strives to supply timely information that will assist in this endeavor.

Among KRC's information dissemination avenues are the **Kentucky Tax Alert** newsletter and KRC's Web site, the Online Taxpayer Service Center (TSC) at <http://www.state.ky.us/agencies/revenue>.

KRC publications, including **Tax Alert**, are available for online reading and downloading from the *Publications* area of the Online TSC.

Because of the time involved in printing and mailing **Tax Alert**, it can take up to three weeks or longer from the time the most recent issue is available online until mail subscribers receive it.

**Tax Alert** readers can access the information contained in each issue on a more timely basis if they download it from the Online TSC.



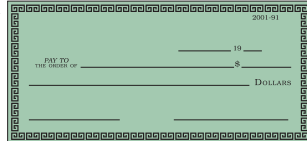
In an effort to reduce printing and postage costs, KRC encourages **Tax Alert** readers with Internet access to read the newsletter online.

**Tax Alert** subscribers will soon receive a letter asking them if they prefer to read the publication online, or continue to receive a printed copy through the mail. Subscribers must respond if they wish to continue receiving printed copies of the newsletter. Otherwise, their subscriptions will end.

KRC publications and forms are presented online in Portable Document Format (PDF). Adobe Acrobat Reader is required to view and print these documents. The software is free and is available from Adobe at <http://www.adobe.com>. Documents may be read and printed online, or saved to users' computers for later viewing or printing.

## Tips for Filing Amended Kentucky Individual Income Tax Returns

Individual income taxpayers who claimed a refund on their original 1999 tax return, but plan to file an amended 1999 return, should not do so until a refund check is received from KRC. Taxpayers must use the Amended Kentucky Individual Income Tax Return, Form 740-X, to correct errors on individual income tax returns.



KRC personnel often correct Kentucky returns during processing which may eliminate the need to file an amended return. However, if corrections are not made during processing of refund returns or if the original return did not claim a refund, an amended return must be filed in order to make any corrections to the original return.

When filing an amended return, on page 1 of Form 740-X, write in the seven-digit validating number which is either stamped on the face of the taxpayer's cancelled check for pay returns, or printed on the face of the taxpayer's refund check. A blank space is provided on Form 740-X for the validating number.

Some of the most common reasons for filing amended Kentucky returns are to:

- ✍ report the receipt of an additional Form K-2, Wage and Tax Statement, after filing the original return;

- ✍ adjust the number of dependents or tax credits claimed;
- ✍ report additional income such as interest or income from partnerships;
- ✍ itemize rather than take the standard deduction;
- ✍ claim the low income credit;
- ✍ claim pension exclusions;
- ✍ correct a failure to claim carryover amounts from Schedule D;
- ✍ claim credit for taxes paid to other states; and/or
- ✍ change from joint to separate filing and vice versa.

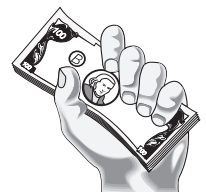
Form 740-X is available from each Kentucky taxpayer service center (TSC), the Support Services Branch at (502) 564-3658, KRC's fax-on-demand service, *TaxFax*, at (502) 564-4459, or KRC's Online TSC at <http://www.state.ky.us/agencies/revenue>.

For assistance with completing Form 740-X, call KRC at (502) 564-4581 or any TSC.

## State Real Property Tax Rate Set

The 2000 state real property tax rate has been set at 14.1 cents per \$100 of assessed value. Under House Bill 44, the rate must be reviewed each year and adjusted to ensure that no more than a 4 percent cumulative increase in revenues is realized over the previous year. Last year's rate was 14.8 cents.

The establishment of the 2000 tax rate enables those counties certified by KRC to proceed with tax bill preparation once the local rates are set.



## Court Case Updates

**Property Tax**—The Kentucky Court of Appeals affirmed the decisions of the Boone and Nelson Circuit Courts in *Owens-Illinois Labels, Inc. v. Revenue Cabinet* (98-CA-002114), *Owens-Brockway Plastic Products, Inc. v. Revenue Cabinet* (1999-CA-00724), and *Johnson Controls Battery Group, Inc. v. Turner* (1999-CA-00734). The court's May 5, 2000, decision in this trilogy of cases reviewed the issue of whether a privately owned leasehold interest in an industrial building that is owned by a qualifying tax-exempt local governmental entity and financed with industrial revenue bonds pursuant to KRS Chapter 103.200 et seq. is subject to taxation at full state and local tax rates after the industrial revenue bonds have been fully redeemed and retired. Reasoning that tax exemptions such as those involved in this case (KRS 132.020(1) and 132.200(8)) are disfavored and strictly construed, the court held that the privately owned leasehold interest in the industrial building owned by the local governmental entity is taxable at full state and local tax rates after the industrial revenue bonds are fully redeemed and retired.

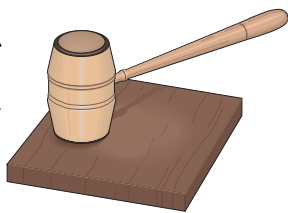
Owens-Illinois Labels, Inc. and Owens-Brockway Plastic Products, Inc. have filed motions for discretionary review with the Kentucky Supreme Court. Johnson Controls Battery Group, Inc. chose not to file a motion for discretionary review.

## PSC Rate Set for Fiscal Year 2000-01

The Public Service Commission's (PSC) annual maintenance assessment rate for Fiscal Year 2000-01 is 1.951 mills for each \$100 of gross intrastate receipts. This millage rate funds the PSC's anticipated operations.

The rate is set each year by the Finance and Administration Cabinet and takes effect each July 1. The minimum assessment, according to KRS 278.130, is \$50. Billings are issued by KRC and payments are due on or before July 31 of each year. The penalty for failure to pay the assessment is \$1,000 plus \$25 per day for each day overdue, pursuant to KRS 278.990(3).

Intrastate business conducted by jurisdictional utilities in Kentucky during the preceding calendar year is the basis for the assessment.



## Corporate Annual Reports Due in Secretary of State's Office

Annual reports for all corporations and limited liability companies were due to the office of the Secretary of State on June 30, 2000. The office of the Secretary of State may send the organization a reminder notice if the annual report is not filed. Failure to timely file the annual report may result in administrative dissolution of a domestic corporation or limited liability company; or revocation of the certificate of authority of a foreign corporation or a foreign limited liability company.

Direct questions concerning the filing of these annual reports to the Secretary of State's office at (502) 564-3490.



## Two Taxpayer Service Centers Placed in New 859 Area Code

The Lexington and Northern Kentucky taxpayer service centers (TSCs) were placed in a new area code region on April 1, 2000. These TSCs are now located in area code 859 instead of area code 606. Please note that the seven-digit telephone and fax numbers for these two TSCs remain the same. Only the area codes changed.

Until Sunday, Oct. 1, 2000, a *permissive dialing period* will be in effect. During this permissive period, callers may dial either the 606 or 859 area code to reach these TSCs. After the permissive period ends on Oct. 1, 2000, all calls to these TSCs must be dialed using the 859 area code.

Counties in the new 859 area code are Boone, Bourbon, Boyle, Campbell, Clark, Fayette, Gallatin, Garrard, Grant, Harrison, Jessamine, Kenton, Madison, Mercer, Montgomery, Nicholas, Pendleton, Washington, and Woodford.



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Comments, suggestions and mailing list additions or corrections should be addressed to the Public Information and Communication Services Branch, Revenue Cabinet, Station 14, Frankfort, Kentucky 40620, (502) 564-4592.

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<http://www.state.ky.us/agencies/revenue/revhome.htm>

COMMONWEALTH OF KENTUCKY  
REVENUE CABINET  
FRANKFORT, KENTUCKY 40620

Kentucky Revenue Cabinet

Mission Statement

To provide courteous, accurate  
and efficient services for the benefit of  
Kentucky and its citizens, and admin-  
ister the tax laws of the Common-  
wealth in a fair and impartial manner.

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